

Message Text

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PAGE 01 OTTAWA 03836 122200Z

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 FEA-01 ERDA-07 AID-05 CEA-01

CIAE-00 COME-00 EPG-02 DODE-00 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-15

OES-07 SP-02 SS-15 STR-04 TRSE-00 ACDA-10 /117 W

-----122203Z 075509 /63

P 122155Z MAY 77

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC PRIORITY 3452

INFO AMCONSUL MONTREAL

ALL OTHER CONSULATES IN CANADA (BY POUCH)

UNCLAS OTTAWA 03836

E.O. 11652: N/A

TAGS: ENRG, CA

SUBJECT: ENERGY: FEDERAL-PROVINCIAL ENERGY MINISTERS

MEETING AGREES TO TWO-DOLLAR DOMESTIC CRUDE OIL PRICE
INCREASE

1. AT PRESS CONFERENCE FOLLOWING MAY 11 FEDERAL-PROVINCIAL ENERGY MINISTERS MEETING FEDERAL ENERGY, MINES AND RESOURCES MINISTER ALASTAIR GILLESPIE SAID THAT A MAJORITY OF MINISTERS FAVORED ONE-DOLLAR-PER-BARREL CRUDE OIL PRICE INCREASE EFFECTIVE JULY 1 FOLLOWED BY ANOTHER ONE-DOLLAR INCREASE JANUARY 1, 1978. WELLHEAD PRICE WILL THUS RISE FROM DOLS 9.75 TO 11.75 OVER YEAR. GILLESPIE IS SEEKING PROVINCIAL AGREEMENT TO ESTABLISH FORMULA FOR FUTURE OIL PRICE INCREASES OF ONE DOLLAR PER BARREL EVERY SIX MONTHS UNTIL CANADIAN DOMESTIC PRICES EQUAL EXPECTED WORLD PRICE OF DOLS 18 PER BARREL BY 1981.

2. NATURAL GAS PRICES WILL CONTINUE TO INCREASE WITH OIL PRICES UNDER PRESENT POLICY WHICH SETS GAS PRICE AT 85 PERCENT OF COMMODITY BTU VALUE OF DOMESTIC OIL PRICE. UNDER THIS FORMULA EACH ONE-DOLLAR OIL PRICE
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INCREASE WOULD RAISE GAS PRICE 18 CENTS PER MCF. FIRST INCREASE WOULD RAISE TORONTO CITY-GATE PRICE FROM ABOUT DOLS 1.50 TO DOLS 1.70 PER MCF.

3. PRODUCT PRICE INCREASE OVER ONE YEAR WILL BE 7 CENTS PER GALLON FOR GASOLINE AND 6 CENTS PER GALLON FOR FUEL OIL. PRODUCT PRICE INCREASES WILL BE DELAYED AT EACH

STAGE OF CRUDE OIL PRICE INCREASE BY 90-DAY MORATORIUM.

4. MEETING DID NOT FORMALLY APPROVE PRICE PLAN. ONTARIO AND MANITOBA REPORTEDLY CONTINUED TO MAINTAIN THAT ECONOMY CANNOT STAND ANY PRICE INCREASES AT THIS TIME. GILLESPIE SAID HE WILL REVIEW RESULTS OF MEETING, CONSULT INDIVIDUALLY WITH MINISTERS OF NON-PRODUCING PROVINCES TO DETERMINE THEIR FINAL POSITION, AND CONSULT WITH ALBERTA ENERGY MINISTER DON GETTY. IF ALBERTA MINISTER AGREES TO TWO-DOLLAR INCREASE AND OTHER PROVINCES MAINTAIN POSITIONS HELD AT MEETING, FEDERAL GOVERNMENT WILL FORMALLY ANNOUNCE INCREASE. ENDERS

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